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U.S. House of Representatives  
Committee on Financial Services  
2129 Rayburn House Office Building  
Washington, DC 20515

September 14, 2006

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CHIEF OF STAFF

The Honorable Richard C. Shelby  
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The Honorable Paul S. Sarbanes  
Ranking Member  
Committee on Banking, Housing, and Urban Affairs  
U.S. Senate  
SD-534 Dirksen Senate Office Building  
Washington, D.C. 20510

Dear Chairman Shelby and Ranking Member Sarbanes:

As the 109<sup>th</sup> Congress enters its final weeks, there are a handful of important legislative initiatives on which our respective Committees have spent a great deal of time and effort, but which have yet to be resolved. While the differences between the House and Senate measures are relatively small in most cases, time is not on our side. In our opinion, one of the most urgent of these issues is regulatory reform of the government-sponsored entities, or GSEs.

Accounting violations and corporate mismanagement by the GSEs have brought to light the fact that current GSE regulators lack many of the supervisory and enforcement powers bank regulators can wield. We must remedy this situation by consolidating GSE regulation and providing the tools needed to oversee these large, complex financial institutions. Both H.R. 1461 and S. 190 create a strong independent agency to ensure the GSEs operate in a safe and sound manner and comply with their statutory missions.

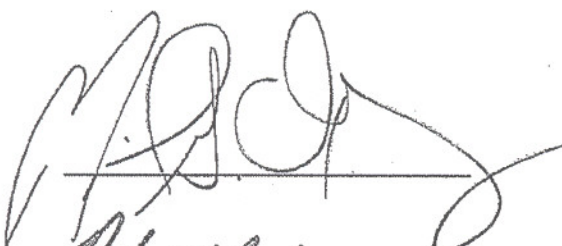
We believe firmly that the outstanding differences in the GSE legislative debate are less than ever before and that final agreement can be reached this session. We note with approval the renewed energy brought to the debate by Treasury Secretary Paulson, as well as OFHEO Director Lockhart.


The purpose of this letter is to express our desire to work with you to find creative compromises to achieve our bicameral, bipartisan goal of strengthening GSE oversight and ensuring the stability and accountability of these institutions. This Congress should not close without addressing the serious inadequacies of the current GSE regulatory system.


The Honorable Richard C. Shelby  
The Honorable Paul S. Sarbanes  
Page 2  
September 14, 2006

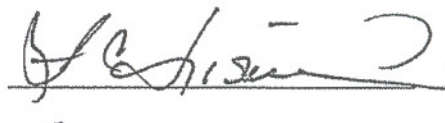
We, the undersigned members of the House Committee on Financial Services, urge you to act expeditiously in the full Senate so that we may proceed to a conference committee, where we can work together to send this vital legislation to the President this year. We believe we have a unique opportunity to enact robust, comprehensive GSE reform. We pledge our cooperation, our good faith, and our best efforts to achieve this end and urge Senate action.

Yours truly,

  
Richard L. Baker

  
Paul E. Kujawa

  
Bob Ney

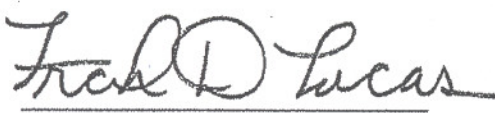
  
Carolyn B. Maloney

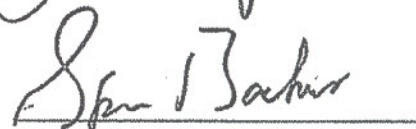
  
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Spencer Bachus



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Randy Mungelbauer

Michael Sotepatuk

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R. A. Merre

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The Honorable Richard C. Shelby, Chairman  
The Honorable Paul S. Sarbanes, Ranking Member  
Senate Banking Committee

Letter Signatories

Page 2:

Congressman Michael G. Oxley, Chairman  
Congressman Barney Frank, Ranking Member  
Congressman Richard H. Baker  
Congressman Paul Kanjorski  
Congressman Jim Leach  
Congressman Steven C. LaTourette  
Congressman Bob Ney  
Congresswoman Carolyn Maloney  
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Congressman Rubén Hinojosa  
Congressman John Campbell  
Congressman Frank D. Lucas  
Congressman Spencer Bachus

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Page 5:

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Congressman Brad Sherman